

Grand Rapids - Kent County Convention/Arena Authority

Financial Statements and Supplementary Information Years Ended June 30, 2008 and 2007



BDO Seidman, LLP
Accountants and Consultants



Grand Rapids - Kent County Convention/Arena Authority

**Financial Statements
and Supplementary Information**
Years Ended June 30, 2008 and 2007

Grand Rapids - Kent County Convention/Arena Authority

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Independent Auditors' Report

Members of the Grand Rapids - Kent County
Convention/Arena Authority
Grand Rapids, Michigan

We have audited the accompanying statements of net assets of the Grand Rapids - Kent County Convention/Arena Authority (the "Authority"), and the related statements of revenues, expenses and changes in net assets and cash flows, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements of net assets referred to above present fairly, in all material respects, the financial position of the Grand Rapids - Kent County Convention/Arena Authority at June 30, 2008 and 2007, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenue, expenses and changes in net assets - budget and actual on page 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Grand Rapids, Michigan
November 5, 2008

Management's Discussion and Analysis

This section of the Grand Rapids - Kent County Convention/Arena Authority's (the "Authority") financial report presents a discussion and analysis of the Authority's financial performance for the years ended June 30, 2008 and 2007. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction therewith. This discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of Authority management.

Overview of the Financial Statements

This financial report consists of three financial statements along with footnotes to the financial statements. One of the most important questions asked about the Authority's finances is, whether the Authority is better off or worse off as a result of the year's activities. The keys to understanding this question are the statements of net assets, the statements of revenues, expenses and changes in net assets and the statements of cash flows. These statements include all assets and liabilities of the Authority using the full accrual basis of accounting.

The statements of net assets present all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Authority's net assets are one indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses and changes in net assets present information showing how the Authority's net assets changed during the year. Revenues are reported when earned and expenses when incurred, regardless of the timing of the related cash flows. Activities are reported as operating, nonoperating or capital contributions. Operating revenues and expenses generally result from providing services. All other revenues and expenses are reported as nonoperating or capital contributions.

The statements of cash flows present changes in cash and cash equivalents, resulting from operating, financing and investing activities. These statements present cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Analysis of the Authority

The Authority's total net assets increased from \$21,509,418 in 2006 to \$22,104,440 in 2007 and increased to \$23,604,748 in 2008. These changes result primarily from operations as well as some carryover of improvements related to the completion of the DeVos Place construction project. Our analysis below focuses on the net assets and changes in net assets of the Authority.

Net Assets			
	2008	2007	2006
Assets			
Current and other assets	\$ 27,987,405	\$ 26,120,880	\$ 25,374,585
Capital assets	663,774	704,507	665,063
Total Assets	28,651,179	26,825,387	26,039,648
Liabilities			
Current liabilities	5,046,431	4,720,947	4,530,230
Net Assets			
Invested in capital assets	663,774	704,507	665,063
Restricted	80,000	-	-
Unrestricted	22,860,974	21,399,933	20,844,355
Total Net Assets	\$ 23,604,748	\$ 22,104,440	\$ 21,509,418

CURRENT AND OTHER ASSETS

The steady increase in current and other assets from 2006 to 2008 was primarily due to successful investment returns combined with positive facility operating results.

LIABILITIES

Current Liabilities

The increase in current liabilities from 2006 to 2007 was largely due to the timing of advance ticket sales, advance deposits and settlement balances payable to customers for facility events which increased a total of \$274,000 from 2006 to 2007. For 2008 this continued resulting in a slight increase of \$60,000 in advance ticket sales, advance deposits and settlement balances payable to customers for facility events.

NET ASSETS

Invested in Capital Assets

Investments in capital assets of approximately \$665,000 at June 30, 2006, \$705,000 at June 30, 2007 and \$664,000 at June 30, 2008 include the historical acquisition costs net of accumulated depreciation of movable building improvements and equipment not pledged as collateral on related bonds.

Restricted Net Assets

Restricted net assets include funds pledged by the Authority for improvements at Van Andel Arena in conjunction with stipulations of a lease agreement with one of the Van Andel Arena's continuing tenants. Per the contract terms, improvements such as production equipment, laser lighting, enhanced video capabilities and similar items can be purchased using these restricted

net assets, which may be used by the tenant and any of its affiliates free of charge. Contributions totaling \$80,000, received in installments of \$10,000 per specific event, were recorded as miscellaneous revenue for the year ended June 30, 2008.

Unrestricted Net Assets

Unrestricted net assets include funds that have been designated by management for specific purposes as well as amounts that have been contractually committed for goods and services that have not yet been received. The following is a breakdown of the unrestricted net assets as of June 30, 2008, 2007 and 2006:

	2008	2007	2006
Undesignated	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Facility replacement reserve	16,860,974	15,399,933	14,844,355
Total Unrestricted Net Assets	\$ 22,860,974	\$ 21,399,933	\$ 20,844,355

Changes in Net Assets

	2008	2007	2006
Operating revenues, facilities	\$ 11,396,855	\$ 11,288,218	\$ 10,037,350
Operating expenses	10,947,948	10,897,069	10,324,329
Operating income (loss)	448,907	391,149	(286,979)
Nonoperating revenues			
Other nonoperating income	1,274,424	1,344,656	997,852
Income before capital contributions and transfers out	1,723,331	1,735,805	710,873
Capital contributions	-	-	129,043
Transfers out	(223,023)	(1,140,783)	(1,664,669)
Increase (Decrease) in Net Assets	1,500,308	595,022	(824,753)
Net Assets, beginning of year	22,104,440	21,509,418	22,334,171
Net Assets, end of year	\$ 23,604,748	\$ 22,104,440	\$ 21,509,418

OPERATING INCOME (LOSS)

Operating Revenues, Facilities

Operating revenues, facilities are generated by the Authority's DeVos Place and Van Andel Arena. Management of these facilities is provided by SMG, headquartered in Philadelphia and

an affiliate of American Capital Strategies, Ltd., with whom the Authority has a management agreement. Operating revenues include event revenues as well as ancillary revenues related to luxury seating, advertising and commissions on vendor sales of food, beverages and novelties. These revenues continue to increase as the popularity of the new DeVos Place increases. A portion of DeVos Place opened in December 2004 with full utilization beginning in February 2005.

Operating Expenses

Operating expenses include costs associated with the daily operation of DeVos Place and Van Andel Arena as well as administrative costs related to the overall operation of the Authority. Generally administrative costs relate primarily to insurance, personal services and professional services.

NONOPERATING REVENUES

Nonoperating revenues result primarily from investment income. The increase from 2006 to 2007 was a result of increased investment balances held by the County Treasurer combined with better than expected investment returns over the same time period. As cash is generated by operations, the Authority gauges future cash flow needs and invests “excess” cash as available to maximize return and value for the Authority. Although the Authority was able to increase its investment of excess cash during 2008, given the changes in market conditions, investment returns were less than anticipated and less than the prior year resulting in a decrease in investment income from 2007 to 2008.

CAPITAL CONTRIBUTIONS

Capital Contributions From Grand Action

As part of the initial planning for the DeVos Place construction project, a number of funding sources were identified, including contributions from community benefactors to completely cover budgeted expenses. Grand Action, a community-based, private non-profit organization dedicated to the improvement of downtown Grand Rapids, led the effort in private donations pledged to this project totaling over \$35 million to be used after state grant monies and bond proceeds were exhausted. The majority of these donations was received during 2004, with the remainder following in 2005 and 2006.

Transfers Out

The bonds issued by the City County Building Authority are collateralized by the assets and construction expenses associated with DeVos Place Convention Center. During fiscal year 2006, 2007 and 2008, construction expenses of \$1.7 million, \$1.1 million and \$223,000 respectively, were transferred to the City County Building Authority. When the bonds issued by the City County Building Authority have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

Economic Factors and Next Year's Budget

Management believes the Grand Rapids - Kent County Convention/Arena Authority is in good condition both administratively and financially. This report covers the seventh and eighth years of operation. The Authority's operations and finance committees continue to monitor policies and practices governing facility rates, booking preferences and quality of service. Consolidated operating revenues at DeVos Place and the Van Andel Arena continue to exceed operating expenses on an annual basis. Long-term booking activity, enhanced by the services of the Grand Rapids/Kent County Convention and Visitor's Bureau, continues to draw commitments for convention center activity which is now booking through calendar year 2013.

Completion and dedication of the Steelcase Ballroom, in February 2005, marked the substantial completion of the fully renovated and expanded DeVos Place Convention Center. The capital improvement project, upon completion of all "punch list" items, was closed out in June 2005. The Authority's facilities include a 12,000+ seat capacity Van Andel Arena, a 2,400 seat DeVos Performance Hall, a 685 parking space facility below the convention center complex, a 160,000 square foot full service exhibit hall, related meeting rooms offering over 24,000 square feet of additional space, as well as a 40,000 square foot ballroom.

The fiscal year 2009 (year beginning July 1, 2008) budget forecasts operating/nonoperating revenues of \$12.4 million with operating expenses (before depreciation) of \$10.8 million. Debt service obligations related to the Van Andel Arena and DeVos Place Convention Center are being financed by the Grand Rapids Downtown Development Authority and the City County Building Authority.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and show the Authority's accountability for the money it earns. Questions about this report or requests for additional financial information should be directed to the Grand Rapids - Kent County Convention/Arena Authority's Administrative Manager at 303 Monroe Avenue NW, Grand Rapids, Michigan 49503.

Financial Statements



Grand Rapids - Kent County Convention/Arena Authority

Statements of Net Assets

<i>June 30,</i>	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 4,855,144	\$ 4,217,735
Investments (Note 2)	21,856,226	20,359,499
Accounts receivable, net (Note 3)	1,086,935	1,340,426
Prepaid expenses	189,100	203,220
Total current assets	27,987,405	26,120,880
Capital assets (Note 4):		
Buildings and structures	322,431	322,431
Equipment	1,107,831	1,013,151
Less: accumulated depreciation	(766,488)	(631,075)
Net capital assets	663,774	704,507
Total Assets	28,651,179	26,825,387
Liabilities		
Current liabilities:		
Accounts payable (Note 5)	549,930	615,976
Accrued expenses (Note 5)	1,241,147	909,720
Advance ticket sales	1,882,334	1,993,227
Advance deposits	291,472	291,205
Compensated absences	4,265	4,263
Deferred revenue	1,077,283	906,556
Total Liabilities	5,046,431	4,720,947
Net Assets		
Invested in capital assets	663,774	704,507
Restricted - entertainment equipment reserve	80,000	-
Unrestricted	22,860,974	21,399,933
Total Net Assets	\$ 23,604,748	\$ 22,104,440

See accompanying notes to financial statements.

Grand Rapids - Kent County Convention/Arena Authority

Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended June 30,</i>	2008	2007
Operating Revenues, facilities	\$ 11,396,855	\$ 11,288,218
Operating Expenses		
Personnel services	3,427,444	3,346,270
Utilities	2,407,126	2,503,599
Supplies and expenses	680,279	870,682
Contractual services (Note 7)	3,306,210	3,176,485
Depreciation	135,413	151,522
Repairs and maintenance	916,899	796,539
Professional services	74,577	51,972
Total Operating Expenses	10,947,948	10,897,069
Operating income	448,907	391,149
Nonoperating Revenues		
Investment income	1,079,804	1,220,785
Miscellaneous	194,620	123,871
Total Nonoperating Revenues	1,274,424	1,344,656
Income before transfers	1,723,331	1,735,805
Transfer of Constructed Assets to the City County Building Authority	(223,023)	(1,140,783)
Increase in Net Assets	1,500,308	595,022
Net Assets, beginning of the year	22,104,440	21,509,418
Net Assets, end of the year	\$ 23,604,748	\$ 22,104,440

See accompanying notes to financial statements.

Grand Rapids - Kent County Convention/Arena Authority

Statements of Cash Flows

<i>Year ended June 30,</i>	2008	2007
Cash From Operating Activities		
Cash received from facility operations	\$ 12,061,456	\$ 12,360,014
Payments to employees	(3,436,312)	(3,271,460)
Payments to suppliers and contractors	(7,447,729)	(7,720,114)
Net Cash From Operating Activities	1,177,415	1,368,440
Cash for Capital and Related Financing Activities		
Capital assets constructed	(223,023)	(1,140,783)
Purchases of capital assets	(94,680)	(190,966)
Other receipts	194,620	123,871
Net Cash for Capital and Related Financing Activities	(123,083)	(1,207,878)
Cash for Investing Activities		
Interest and dividends	1,079,804	1,220,785
Proceeds from investment maturities	-	700,000
Purchases of investments	(1,496,727)	(2,199,145)
Net Cash for Investing Activities	(416,923)	(278,360)
Net Increase (Decrease) in Cash and Cash Equivalents	637,409	(117,798)
Cash and Cash Equivalents, beginning of the year	4,217,735	4,335,533
Cash and Cash Equivalents, end of the year	\$ 4,855,144	\$ 4,217,735

(continued)

Grand Rapids - Kent County Convention/Arena Authority

Statements of Cash Flows

<i>Year ended June 30,</i>	2008	2007
Reconciliation of Operating Income to Net Cash From		
Operating Activities		
Operating income	\$ 448,907	\$ 391,149
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	135,413	151,522
Changes in assets and liabilities:		
Receivables, net	253,491	694,189
Prepaid expense	14,120	(59,137)
Accounts payable	(66,046)	(260,080)
Accrued expenses	331,427	175,899
Advance ticket sales	(110,893)	120,476
Advance deposits	267	(7,898)
Compensated absences	2	49
Deferred revenues	170,727	162,271
Net Cash From Operating Activities	\$ 1,177,415	\$ 1,368,440
Noncash Transactions		
Transfer of constructed assets to the City County Building Authority	\$ (223,023)	\$ (1,140,783)

See accompanying notes to financial statements.

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of the Authority

The Grand Rapids - Kent County Convention/Arena Authority (the “Authority”) was created by the City of Grand Rapids (the “City”) and the County of Kent (the “County”), Michigan under the provisions of Act 203 of the Public Acts of Michigan of 1999 effective June 20, 2000. The Authority was established for the purpose of acquiring, constructing, improving, enlarging, renewing, replacing, repairing, financing, refinancing, equipping and operating convention facilities (including all or part of, or any combination of, a convention hall, auditorium, arena, meeting rooms, exhibition area and related adjacent public areas together with appurtenant property including parking lots and structures) and real property on which they are located.

The Authority includes the operations of DeVos Place which provides space for conventions, concerts, meetings and other performances. Capital assets of DeVos Place were transferred to the City County Building Authority (the “CCBA”) where they are pledged until the related bonds are retired in 2031. At that time, ownership of these capital assets will be transferred to the Authority.

The Authority also includes the operations of the Van Andel Arena (the “Arena”) which provides space for conventions, concerts, sporting events, meetings and other performances. The Grand Rapids Downtown Development Authority (the “DDA”) maintains ownership of certain capital assets until the CCBA bonds are retired in 2031 according to the terms of the operating agreement signed by the CCBA, DDA and the Authority. At that time, ownership of these capital assets will be transferred to the Authority.

Basis of Presentation

The Authority is a special-purpose entity that uses proprietary fund reporting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds’ principal ongoing operations. The principal operating revenues of the Authority’s proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Measurement Focus and Basis of Accounting

The Authority uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority follows applicable accounting and financial reporting standards of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board ("GASB") pronouncements. In accordance with GASB Statement No. 20, the Authority has elected not to follow FASB pronouncements issued after November 30, 1989. Instead, the Authority follows pronouncements issued by the GASB.

Budget

Public Act 203 of 1999 requires the Authority to adopt an annual budget. The budget is adopted on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

The Authority considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the statement of cash flows.

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

Investments and Accrued Interest

The Authority participates in the Kent County Investment Pool (the “Pool”) which is managed by the County Treasurer. Investments underlying the Pool consist primarily of certificates of deposit and U.S. Treasury notes, which are carried at fair value. The Pool is not subject to regulatory oversight, is not registered with the SEC and does not issue separate financial statements. The fair value of the Authority’s position in the Pool is the same as the value of the Pool shares and included accrued interest.

Capital Assets

Capital assets having a useful life in excess of one year and whose costs exceed \$10,000 are capitalized. All assets are reported at historical cost except for donated assets which are recorded at fair value. Depreciation and amortization are computed by the straight-line method based on the estimated useful lives of the related assets.

Estimated useful lives of the related assets by asset category are as follows:

	Years
Buildings and improvements	1-34
Office equipment and furniture	3-10

Expenditures for maintenance and repairs are charged to expense as incurred whereas major additions are capitalized.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when limitations are imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

Revenue, Expenditures and Expense

Compensated Absences

Employees are credited with 20 days of vacation each calendar year which cannot be carried over. Accrued compensated absences totaled \$4,265 and \$4,263 at June 30, 2008 and 2007, respectively.

Revenues

The Authority records facilities revenue upon completion of the event at the DeVos Place or the Arena. Accordingly, amounts received for advance ticket sales or deposits are recorded as deferred revenue until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event.

2. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan which are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority minimizes custodial credit risk by pre-qualifying financial institutions. At June 30, 2008, \$4,320,272 of the Authority's bank balances of \$4,820,272 was uninsured and uncollateralized. At June 30, 2007, \$3,208,672 of the Authority's bank balances of \$3,708,672 was uninsured and uncollateralized.

Investments

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements, obligations of the state of Michigan or any of its

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

political subdivisions rated as investment grade by not less than one standard rating service and mutual funds composed of the types of investment vehicles named previously.

The Authority had the following investments at June 30, 2008 and 2007:

<i>June 30, 2008</i>		Investment Maturity	
Investment Type		Fair Value	Less Than 1 Year
<i>Debt Securities</i>			
Kent County Investment Pool		\$21,856,226	\$21,856,226

<i>June 30, 2007</i>		Investment Maturity	
Investment Type		Fair Value	Less Than 1 Year
<i>Debt Securities</i>			
Kent County Investment Pool		\$20,359,499	\$20,359,499

Interest Rate Risk

Interest rate risk is the risk that the market value of securities will fall due to changes in market interest rates. The Authority mitigates interest rate risk by structuring the portfolio so that securities mature to meet cash requirements, thereby avoiding the need to sell securities prior to maturity and by investing in shorter-term securities.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority had no investments subject to custodial credit risk at June 30, 2008 or 2007.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority mitigates credit risk by limiting investments to the safest types of securities, prequalifying financial institutions and diversifying the portfolio. The Pool is not rated.

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

3. Accounts Receivable

Accounts receivable at June 30, 2008 and 2007 were as follows:

	2008	2007
Facility customers/events	\$ 825,731	\$ 874,143
Ancillary revenues	355,155	560,234
Allowance	(93,951)	(93,951)
	\$ 1,086,935	\$ 1,340,426

4. Capital Assets

Capital asset activity for the years ended June 30, 2008 and 2007 was as follows:

	Balance July 1, 2007	Additions	Disposals/ Transfers	Balance June 30, 2008
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ 322,431
Equipment	1,013,151	94,680	-	1,107,831
Total Cost of Capital Assets	1,335,582	94,680	-	1,430,262
Less accumulated depreciation for:				
Buildings and structures	203,898	41,778	-	245,676
Equipment	427,177	93,635	-	520,812
Capital Assets, net	\$ 704,507	\$ (40,733)	\$ -	\$ 663,774
	Balance July 1, 2006	Additions	Disposals/ Transfers	Balance June 30, 2007
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ 322,431
Equipment	822,185	190,966	-	1,013,151
Total Cost of Capital Assets	1,144,616	190,966	-	1,335,582
Less accumulated depreciation for:				
Buildings and structures	162,119	41,779	-	203,898
Equipment	317,434	109,743	-	427,177
Capital Assets, net	\$ 665,063	\$ 39,444	\$ -	\$ 704,507

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

5. Accounts Payable and Accrued Expenses

Accounts payable at June 30, 2008 and 2007 were as follows:

	2008	2007
Professional services	\$ 39,884	\$ 6,708
Facility customers	417,129	380,654
Vendors	92,917	228,614
	\$ 549,930	\$ 615,976

Accrued expenses at June 30, 2008 and 2007 were as follows:

	2008	2007
Facility customers	\$ 328,686	\$ 14,152
Vendors	532,537	534,444
Professional services	83,213	55,543
Salaries and benefits	296,711	305,581
	\$ 1,241,147	\$ 909,720

6. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. The Authority carries insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

7. Commitments and Contingencies

The Authority has entered into an agreement with SMG to manage the operations of the DeVos Place and the Arena through June 30, 2009.

Grand Rapids - Kent County Convention/Arena Authority

Notes to Financial Statements

The Authority pays SMG an annual base management fee and an incentive fee based on the results of operations of the DeVos Place and the Arena. For the years ended June 30, 2008 and 2007, respectively, total management and incentive fees earned by SMG were approximately \$616,000 and \$600,000 and are recorded in contractual services expense.

The Authority is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Authority.

Supplementary Information



Grand Rapids-Kent County Convention/Arena Authority

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

<i>Year ended June 30, 2008</i>	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues, facilities	\$ 10,820,003	\$ 11,396,855	\$ 576,852
Operating Expenses			
Personnel services	3,370,936	3,427,444	(56,508)
Utilities	2,457,000	2,407,126	49,874
Supplies and expenses	1,830,290	680,279	1,150,011
Contractual services	1,918,218	3,306,210	(1,387,992)
Depreciation	-	135,413	(135,413)
Repairs and maintenance	706,500	916,899	(210,399)
Professional services	159,500	74,577	84,923
Total Operating Expenses	10,442,444	10,947,948	(505,504)
Operating income	377,559	448,907	71,348
Nonoperating Revenues			
Investment income	1,147,000	1,079,804	(67,196)
Miscellaneous	80,000	194,620	114,620
Net nonoperating revenues before transfers	1,227,000	1,274,424	47,424
Transfer of Constructed Assets to the City County Building Authority ⁽¹⁾	(883,216)	(223,023)	660,193
Net Nonoperating Revenues	343,784	1,051,401	707,617
Increase in Net Assets	721,343	1,500,308	778,965
Net Assets, beginning of the year	22,104,440	22,104,440	-
Net Assets, end of the year	\$ 22,825,783	\$ 23,604,748	\$ 778,965

⁽¹⁾ The budget and actual presentation includes construction expenses which are generally capitalized under accounting principles generally accepted in the United States of America.